

# **FISCAL NOTE**

## **HB 855 - SB 880**

February 13, 2005

**SUMMARY OF BILL:** Exempts the sale of hybrid-electric vehicles, hydrogen-powered vehicles, and vehicles that utilize other alternative fuels, and that are registered in Tennessee, from the state sales tax. Such sales would remain subject to local option sales tax.

### **ESTIMATED FISCAL IMPACT:**

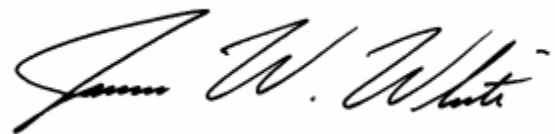
#### **Decrease State Revenues - \$5,200,000**

##### Assumptions:

- J.D. Power and Associates project sales of hybrid and zero-emission vehicles to be 200,000 in 2005.
- Tennessee has 2% share of national market.
- Estimated sales in Tennessee are 4,000 vehicles.
- Average price of vehicle is \$18,000.
- Estimated tax base is \$72,000,000.
- State sales tax rate of 7% of retail sales price.
- Additional tax of 2.75% for any amount in excess of \$1,600, but less than or equal to \$3,200.
- Estimated tax collection for 7% sales tax is \$5,040,000 ( $\$72,000,000 \times 7\% = \$5,040,000$ ).
- Estimated tax for additional 2.75% tax is \$176,000 ( $\$1,600 \times 4,000 \text{ units} \times 2.75\% = \$176,000$ ).
- Total estimated decrease in state revenues is \$5,216,000 ( $\$5,040,000 + \$176,000 = \$5,216,000$ ).

### **CERTIFICATION:**

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.



James W. White, Executive Director